

TOPIC: Housing Finance Options for Blue Ribbon Panel

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SUMMARY: The Finance Subcommittee of the Blue Ribbon Panel met on July 25 to compile a suggested list of policy changes that would create new financing and funding sources for housing. The subcommittee compiled six options for funding. The subcommittee concentrated on redirecting current funding streams to affordable housing, although other sources were also considered, such as funds that may result from a Government Sponsored Entity (GSE) reform bill. The subcommittee did not determine a target amount for funding, and the Blue Ribbon Panel has yet to come to a consensus over how much new funding for housing should be sought.

BACKGROUND: Since the first meeting of the Blue Ribbon Panel in November of 2004, new funding for housing has been a concern of panel members and housing roundtable members. In January, the Blue Ribbon Panel discussed the option of supporting legislation calling for the use of a real estate transfer tax to support a statewide Housing Investment Fund. The Colorado Association of Realtors opposed the real estate transfer tax as a revenue source, and panelists expressed a number of concerns over the feasibility of any new legislation calling for a tax increase.

Housing Investment Fund legislation was eventually introduced at the General Assembly, although the legislation was silent on the issue of a funding source. The legislation primarily allowed the Division of Housing to use the existing statutory Housing Trust Fund (the state housing revolving loan fund) to make grants in addition to making loans. The legislation also allowed the Division of Housing to temporarily own property. The bill passed the House and Senate, but was vetoed by the Governor.

Even if the bill had been allowed to become law by the Governor, the problem of finding new funding for housing would not have been solved, and any new tax would still require approval from the voters under TABOR provisions.

On Jul 25, the Finance subcommittee met in an effort to find funding sources that can provide sufficient funds for housing while not requiring new taxes or a statewide vote.

STAFF RECOMMENDATION: The panel should determine a target amount for any new housing funds that should be pursued. Until this is determined, it is difficult to evaluate the value of different funding sources. The Blue Ribbon Panel members from CHFA and Realtors Association (and any other interested groups) should help provide guidance to the finance committee to ensure cooperation among stakeholders, and the Panel should consider each of the six policy recommendations from the subcommittee and determine each option's practicality, desirability, and effectiveness.

Colorado Blue Ribbon Panel on Housing

August 2, 2005

Item IV, B

Blue Ribbon Panel Finance Subcommittee – July 25, 2 PM at Div of Housing Offices.

Members Present:

BRP Members:

Britta Fisher

Don Marostica

Gene Myers

Mike Rosser

Kathi Williams

Others present:

Justin Marks

Ryan McMaken

Members absent:

Peter Neukirch

Alana Smart

Next meeting: Aug 29, 2-4pm

July 25 Meeting Summary:

The committee explored a number of possible financing options –

1. Low-interest loans from Fannie Mae – Fannie Mae's community development office has expressed interest in making loans not secured by real estate. They presently have a program where funds are loaned to communities at low rates. This money could in turn be loaned out to providers at a slightly higher rate and used as a corpus for a housing fund.
2. Fund for Land Banking – it may be appropriate to explore the use of GOCO lottery funds. Revenues from GOCO that exceed a certain amount (\$50 mil) are placed in the general fund. It may be possible to direct these funds to housing instead.
3. The Stadium tax district was also discussed. While extension of the tax may be helpful in addressing the metro area, this plan has a significant drawback in that the balance of the state is not addressed by the issue, and in fact may make it considerably more difficult to address on a statewide level.
4. The Panel should continue to look at supporting legislation allowing the Division of Housing to take temporary ownership of affordable properties, allowing more preservation of existing units, and decreasing the need for more new construction.
5. Explore the use of state properties for housing and funding.

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6. GSE Reform Bill – Kathi Williams will be talking with Colorado’s Congressional delegation on the need to have any housing funds raised by GSE bill be distributed at the state level.

Next Steps:

1. Ensure that CHFA and the REALTORS are a part of the finance discussion as it continues.
2. Clearly communicate to all stakeholders the benefits from each possible funding source.
3. Continue discussion with the Housing Investment Fund coalition over alternatives to real estate transfer tax. Britta Fisher has signaled that the coalition is open to this.
4. Open a dialogue with the GOCO board.
5. Find a consensus on funding goals within the panel. What should the target amount of funding be?

Other Comments

1. Britta Fisher has signaled that while the Housing Investment Fund Coalition is open to finding funding sources other than a transfer tax, their primary concern is that a fund have a sufficient amount of funds – that is \$15-20 million per year.

2. Gene Myers noted that the Home Builders are not necessarily opposed to a transfer tax. Their primary concern is that the responsibility of funding housing be shared by a larger cross section of community members. The builders view inclusionary zoning as a policy that targets builders as the primary funders of affordable housing, and they are interested in other options.